

VZCZCXYZ0004
RR RUEHWEB

DE RUEHBU #1362/01 2762114
ZNY CCCCC ZZH
R 022114Z OCT 08
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC 2162
INFO RUCNMER/MERCOSUR COLLECTIVE
RUEHMD/AMEMBASSY MADRID 2140
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHC/DEPT OF LABOR WASHINGTON DC
RHMFISS/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L BUENOS AIRES 001362

SIPDIS

EEB/CIP FOR ANNE JILLSON
DEPARTMENT FOR FCC
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER

E.O. 12958: DECL: 09/30/2018
TAGS: [PGOV](#) [ECON](#) [ECPS](#) [PREL](#) [KPAO](#) [KMDR](#) [EINT](#) [AR](#)
SUBJECT: (C) ARGENTINE MEDIA MAGNATE ON MEDIA LAW, AND THE
LAW OF THE ARGENTINE MEDIA JUNGLE

REF: A. BUENOS AIRES 1358
[1](#)B. BUENOS AIRES 822

Classified By: Economic Officer Ian Sheridan, reasons 1.4 (b. and d.)

[1](#)1. (C) Summary. Jose Aranda, Vice Chairman of the media conglomerate Clarin Group, told Charge that the GOA's attempt to promote a new Media Law (ref B) was likely on hold for several months, given GOA's more pressing priorities and a weakened position in the GOA Congress. He cited Clarin's "solid" business success in the many areas it operates - newspaper, TV, cable, internet, and radio - and how it has strongly positioned itself in the internet era. Aranda recounted how successive governments have sought, without success, to limit the media group's power over the years. He also described some of the unique Argentine media realities, relating to newspaper vs. TV advertising revenues, the over-concentrated open air television market, and the proliferation of non-licensed radio stations. End summary.

Background on Clarin Group and Jose Aranda

[1](#)2. (U) Grupo Clarin is the largest and most prominent media conglomerate in Argentina, and the market leader in most of the media segments in which it operates. Through companies it controls and joint ventures, Grupo Clarin owns the largest circulation Spanish language paper in the world, Argentina's top-rated open air and cable television networks, cable television distributors, the country's second biggest radio station in terms of morning traffic audience, internet, printing, publishing, broadcasting and programming.

[1](#)3. (SBU) Jose Aranda, a major stockholder, worked hand in hand with Clarin CEO Hector Magnetto to transform Clarin from a popular newspaper to the all-encompassing media conglomerate it is today. Aranda, an accountant by training, possesses a business and societal vision that transcends the governments that have come and gone in Argentina. He provides rich insight into politics and business here. Ref A describes Aranda's offer to work with the U.S. Embassy to continue to promote the U.S. digital norm for Argentina, for which he says there is still a fighting chance.

Media Law - the scare is over

¶4. (C) Aranda said that, due largely to the GOA's weakened post-farm crisis position and the many more important priorities it faces in the coming months, it was his strong impression that there will be no serious GOA push on a new Media Law (ref B), at least this year. (Given the fact that the summer vacation here runs from around Christmas to early March, any such GOA push on a new Media Law would be delayed until at least this time.) He said that a new law was "not possible," given the weakened position of the GOA vis-a-vis the Congress at this time, to have any "serious debate" on this law. (Clarín CEO Hector Magnetto characterized this point recently to the Ambassador as "they can't move it as Congress won't pass it.") Aranda said that Argentina's press had been "united" on the problems it would have faced by the GOA's proposed changes to the media law, and at a time when the GOA was clearly moving to muzzle the media. He pointed out that the GOA has already assessed that it is not in its interest to have a media predisposed to helping out the opposition, especially looking to 2009 elections. He also cited the other important bills and issues that the GOA needs to work with on Congress in the shorter term: the 2009 budget bill, "superpowers" budget authority, Paris Club, and "holdouts." (Embassy note: he might also have added the upcoming debates on increased retirement costs and still far-from-settled Aerolíneas Argentinas issues.) He joked that although COMFER head Gabriel Mariotto is still going around the country seemingly drumming up support for the new law, he is doing so in the "far-off provinces," such as Tierra del Fuego and elsewhere, and the GOA likely knows that there is no chance this year for any action on this bill.

Clarín business going well

¶5. (C) Aranda stressed the "solid" quality and quantity of their business, and that "we are not dependent on the state," unlike many newspapers of "lesser profitability" which are "co-opted" by the state. "We are able to reject state advertising money, even at times when it could be needed," specifically to avoid "dependence" at certain other times.

Clarín's positioning in the Internet era

¶6. (C) Aranda said that about one-third of Clarín's newspaper revenues come from placement of classified ads, one-third from newspaper sales, and one-third from conventional advertisements. He said that Argentina as a whole is relatively "slow" in terms of getting news and advertising revenue via the internet, but it is an important and growing market. In that regard, he shared Clarín's real estate internet strategy, and said that Clarín had bought the two most prominent internet portals devoted to real estate to capture this market, which he said is the most important internet transition currently under way. He said that Clarín, through its own portals, also controls several sites for what he said were the top four areas of common internet-based consumer business: real estate, automobile sales, personal ads, and what he called "opportunities," i.e., other sales, trading, etc. When asked about GOA intervention in this area of business, Aranda said the GOA had not yet shown interest or capability to do so. He said that a previous government largely failed to make successful an education internet portal known as educ.ar.

GOA attempts to beat Clarín over the years have failed

¶7. (C) Aranda mentioned attempts by Argentine governments (past and present) to stifle, control or otherwise weaken Clarín. One stark example was former President Menem's attempt to round up other media entities into a pro-government group, "all in total violation of the law," to

"kill us." This and all other efforts had failed. Aranda discussed the influence of government advertising that controlled content, for example, at the low circulation leftist newspaper Pagina 12 and online news source, Infobae. Aranda also claimed that media magnate Sergio Spolsky has talked openly of being almost entirely funded by government resources for several of his news products, which include weeklies Viente Tres, Siete Dias, two newspapers in La Plata, BAEconomico, and more recently, the Buenos Aires Herald (purchased mainly for its excellent printing machinery, not its small and aging subscriber base). (Aranda did not mention that Spolsky owns Newsweek Argentina.)

Newspaper vs. TV advertising revenue, unique in the world

¶8. (C) Aranda said that, unlike virtually anywhere else in the world, it costs more money to place ads in newspapers than television. He said that this peculiarity is a consequence of the "total government control" of television during the "Peronist and military years," which "completely discredited" the television medium. In fact, each branch of the military had its own "designated" TV station. Newspapers, on the other hand, were seen as more "professional," and commanded genuine advertising revenue. Though much more advanced and free today, the television industry has not yet developed sufficiently to fully outgrow these former advertising conditions.

Concentrated open air television market

¶9. (C) Aranda explained that there are perhaps only three profitable open-air TV stations in Argentina, citing Canal 13 (Clarín), Canal 11 (owned by Spain-based Telefonica) and

Canal 7 (state owned), out of five total in Greater Buenos Aires. All the rest lose money. He explained that 80% of market share (based on advertising revenue) goes to Channels 13 and 11, with about 45% to Clarín's channel alone, Canal 13.

Radio stations not very profitable

¶10. (C) Aranda said that "only about three" radio stations are actually profitable here, citing Radio 10 (owned by local media entrepreneur and Kirchner ally Daniel Hadad) with the largest market share; Radio Mitre (Clarín); and the music station "Rock and Pop." In citing reasons for their lack of profitability, he mentioned the widespread phenomenon of "radios truchas" (clandestine, off-the-books, unlicensed radio stations) that are all over the Capital Federal area and in the country. He said that the GOA's Federal Broadcast Commission (COMFER, GOA's FCC equivalent) and the GOA lack the will to stop them. These stations do not pay taxes, and their expenses and employees are all off-the-books, making it difficult for legitimate stations to compete. Aranda said that there are many all over the country, run by or sanctioned by "caudillos (local strongmen)," and had their origin in the military dictatorship. He said that most have limited range, and have historically acted as a form of control by these caudillos. Aranda said that, according to the law, a media company cannot own any more than two radio stations in one region, or any more than five nationally. "If we violated this law, we would risk GOA anger, and for what -- just to own some radio stations that are of low benefit?" He claimed that Daniel Hadad owns more than that limit, as do some others.

Comment

¶11. (C) Aranda is one of Argentina's most powerful and insightful media figures, with contacts all over the country and region. His observations about politics, business, and how power is wielded here are revealing, as are his views about just how hardball this - and previous - governments can play in attempting to control the media. His observations also point to just how weakened the GOA is in this "post-farm strike" era, given that it has likely given up passing a new Media Law -- once a central GOA strategic priority -- until at least March 2009. End Comment.

WAYNE